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The Weekly Newspaper of the Food-Service Industry

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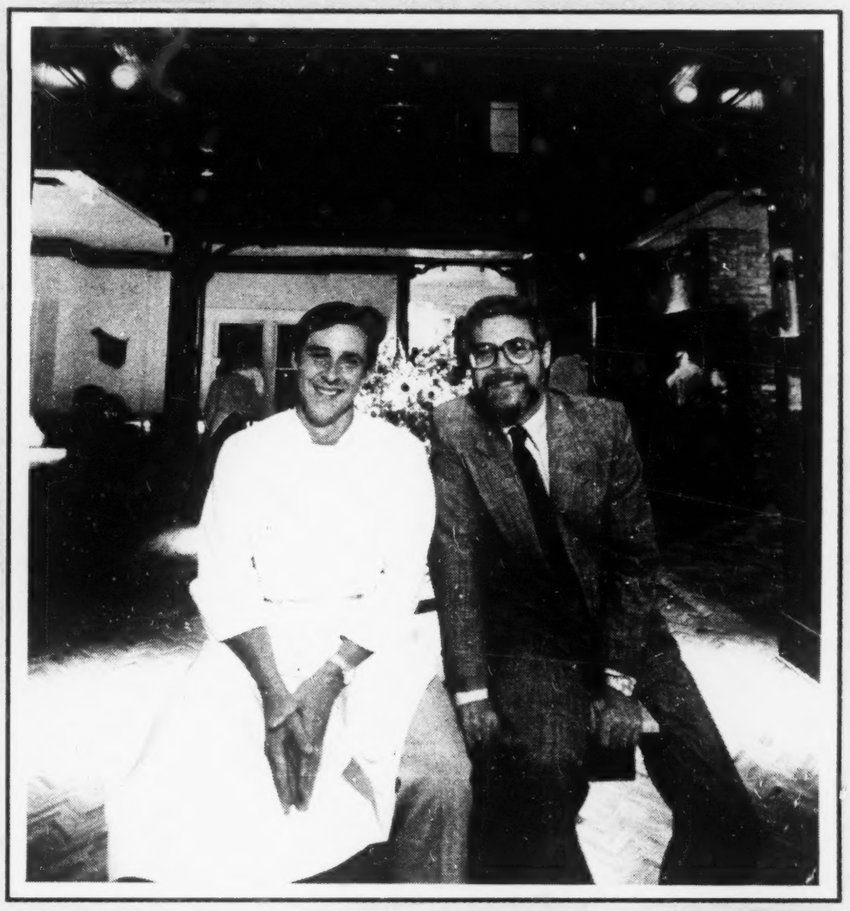


NRN Photo

Bradley Ogden, left, and Michael Dellar under skylight in the main dining room at Lark Creek Inn in Larkspur.

Bay Area vets seek more casual niches

By Alan Liddle

SAN FRANCISCO — Several veteran Bay Area restaurateurs are flying in the face of a soft market with new, less formal concepts.

Two of the newest launches come from American Cuisine movement mainstay chef Bradley Ogden, who opened Lark Creek Inn in Larkspur, Calif., and casual Max's restaurant kingpin Dennis Berkowitz, who unveiled two new restaurants in the same neighborhood.

Other area operators betting their futures on heavy new investments include:

- Julie Ring, former co-owner of Ring's Fine Seasonal Cuisine and the co-proprietor of Julie's Supper Club, who opened the Caribbean-styled Miss Pearl's Jam House.
- Robert Larman, a force behind Scott's Seafood Grill and Kuleto's, whose new venture is the Magnolia

(BAY AREA, page 119)

Back to school: Feeders face 6-percent cost hike

Government reduces key dairy supplies

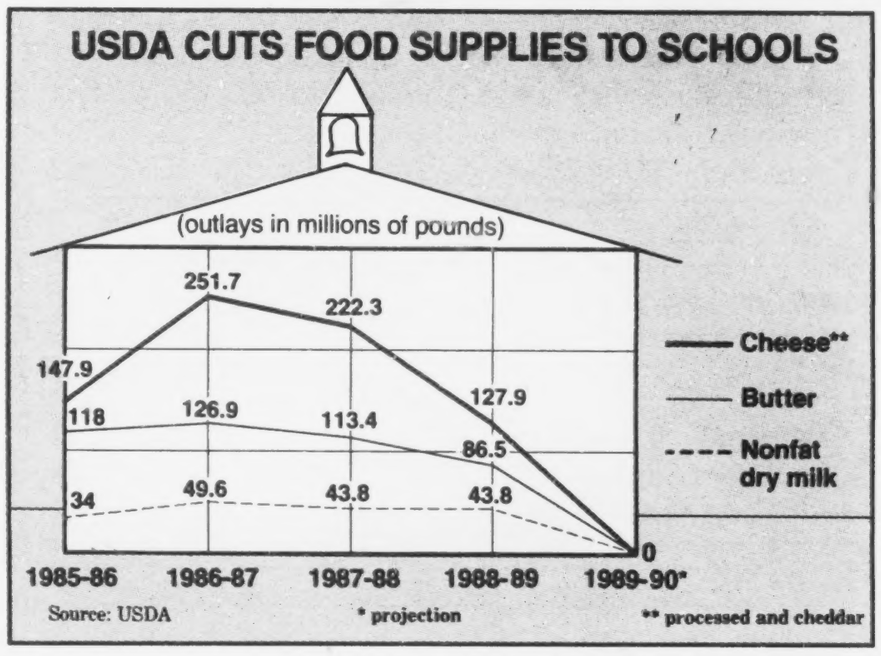
By Bill Carlino

While students across the country prepare to make the annual transition from summer vacation to the rigors of academics, school food-service directors are battling both escalating food costs and a shortfall of surplus commodities.

As the 1989-1990 school year approaches, food-service directors, nutritionists, and dietitians, responsible for churning out more than 30 million school meals daily, are staring at a 6-percent average across-the-board price hike on many items that could translate to an increased meal cost to students.

"I've had to raise meal prices for the first time in four years," said Beverly Lowe, food-service director of the Hampton, Va., school district and president of the American School Food Service Association. The Englewood, Colo.-based ASFSA, is a 65,000-member organization of both independent and contracted

(See SCHOOL, page 117)



Slumping San Simeon shuts

Casual Sfuzzi upstaged sister concept

By Tracey Taylor Woodard

DALLAS — Plummeting customer counts and a management distracted by the success of an alternate concept have forced Crillon Management Group to shutter its elegant San Simeon restaurant here.

"There is always a number of different reasons" why a restaurant closes, said Mary Edwards, marketing director for the group. "The most obvious is always the lack of business, though."

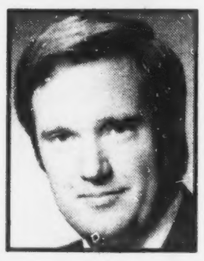
The restaurant was opened in 1986 by Patrick and Robert Colombo, David Palmer, and Brian Galligan after Patrick Colombo left his position of assistant food and beverage director at the Mansion on Turtle Creek.

"We opened in the middle of a wonderful lifestyle, where people wanted to experience eating with little care about how much it cost," Edwards said.

"Those days of getting

(See SAN SIMEON, page 119)

Wall Street expert joins MUFSO



Steffens

NEW ORLEANS — John L. Steffens, president of Merrill Lynch's consumer markets sector, will present an assessment of the food-service industry's 1990s prospects Tuesday morning, Sept. 12, at Nation's Restaurant News' 30th annual Multi-Unit Food Service Operators Leadership Conference at the New Orleans Hilton.

Al Ries, president of Trout & Ries, a marketing-positioning expert and author of the controversial book "Bottom-Up Marketing," will follow Steffens on the program.

In addition, Robert Grimes, president of Strategic Technology Services, a specialist in the design and application of computer techniques, will explore new technologies for the food-service industry in a talk Monday morning, Sept. 11.

Other major outside speakers at the Sept. 10-13 conference, "Fitness for Success," will be Willard Scott, the pop-

(See MUFSO, page 119)

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FOOD WATCH

The shape of pasta to come

CHICAGO — The shapes of the pasta on Carlucci Restaurant's new menu are as innovative as the flavors of the dishes.

Orecchiette trevisana is ear-shaped pasta sautéed with radicchio, tomato, and pancetta, while *penne con pollo e peperoni* is quill-shaped pasta with roasted chicken, peppers, and spinach. *Mafaldine ai funghi* combines ragged-edged noodles with porcini cream sauce, wild mushrooms, and chives.

But the favorite seems to be *radiatori ai broccoli* — radiator-shaped pasta, Taleggio cream sauce, broccoli, caramelized onions, and tomato, said Joe Carlucci, co-owner of the newly remodeled 5-year-old restaurant on North Halsted Street.

— Carolyn Walkup

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Vol. 23, No. 36 Sept. 4, 1989

NEWS DIGEST

Michael Grisanti seeks to buy Grisanti's units

LOUISVILLE, Ky. — Michael Grisanti, president and chief operations officer of Grisanti's Inc., will repurchase a portion of the 19-restaurant Italian dinner-house chain he sold to Imasco USA a few years ago, according to an official at Grisanti's.

"It would appear that Mr. Grisanti has been successful in reclaiming most of his empire," said Dean Williamson, director of human resources. "Within our company he has been sharing information with people; externally, I don't know if he's ready to put out a press release. The deal won't close for a good 45 days anyway."

Neither Michael Grisanti nor Imasco USA, which also operates the Hardee's fast-food burger chain, could be reached for comment.

Recently, Imasco and General Mills, which was to have purchased more than half the Grisanti's chain for conversion to its fast-growing Olive Garden concept, broke off negotiations.

Shere to relinquish reins of Coach & Six restaurant

ATLANTA — Onetime nightclub singer Beverlee Soloff Shere, ending a year of speculation about the future of her 27-year-old luxury restaurant, confirmed she would sell The Coach & Six to former art theater operator George Lefont.

Lefont, a senior vice president at Hoyts Cinemas Corp., will take control of the landmark 197-seat Peachtree Road establishment in early October. Until then Shere and Lefont will operate as a team.

"This is a hands-on business, and I simply ran out of energy," said Shere, who added that her future plans are uncertain.

Lefont said he envisions no immediate concept changes.

Shoney's earmarks $90M for minority programs

ATLANTA — Shoney's Inc. said it has entered into a "firm handshake agreement" with the Southern Christian Leadership Conference here, aimed at broadening the opportunities for blacks within the Shoney's and Captain D's restaurant systems.

Shoney's said it has agreed to provide about $30 million per year for three years to build minority recruitment and franchising, implement special "fast-track" management programs, and develop minority businesses by hiring more black vendors and contractors and borrowing from black-owned banks.

In April Shoney's became the target of a class-action lawsuit that charged the company with discriminating against blacks.

Walsh's new concept may not see daylight

NEW YORK — Chef Brendan Walsh, of Arizona 206 fame, said financing troubles may prevent him from opening his new restaurant here.

Walsh had planned to open a 110-seat tavern-style restaurant and bar in downtown Manhattan this year under the name Brendan's or BW's Tavern.

He said his goal was a restaurant "where two people could eat for under $100 complete."

Court delivers verdict of innocent in Noid case

ATLANTA — Kenneth Lamar Noid, the man who held two Domino's Pizza employees hostage here because he allegedly felt he was the target of the pizza chain operator's "Avoid the Noid" advertising campaign, has been ruled innocent by reason of insanity.

Noid held two employees captive at a suburban Domino's outlet here for nearly six hours in January before the hostages escaped and he surrendered, police said.

Noid was charged with two counts each of kidnapping, aggravated assault, and possession of a firearm.

Federal courts melt hopes of Häagen-Dazs franchisees

NEW YORK — Federal courts here and in Minneapolis rejected legal challenges by 19 franchisees of Häagen-Dazs Ice Cream Shoppes. They charged that the distribution of Häagen-Dazs ice cream through supermarkets, convenience stores, and other retail outlets violated the terms of their franchise agreements.

The franchisor, Häagen-Dazs Co., is a subsidiary of Grand Metropolitan PLC, which also owns Burger King Corp.

Tony Lavely returns to Long John Silver's

LEXINGTON, Ky. — Tony Lavely, a former marketing chief of Burger King Corp., has returned to Long John Silver's here as senior vice president of marketing.

The quick-service seafood chain hired Lavely after drafting plans to bolster marketing expenditures to 6 percent of systemwide sales, from the previous level of 5 percent. The increase would raise Long John Silver's total marketing budget to an estimated $50 million for the year ending June 1990.

Lavely joined Burger King from Long John Silver's in 1988. He resigned at Burger King's request after a much-ballyhooed sweepstakes promotion, Triple Jump Checkers, failed to deliver the sales spurt he had promised.

Bass PLC acquires Holiday Inn

Inks $2.23 billion deal for lodging division

By Bill Carlino

MEMPHIS, Tenn. — Holiday Corp. has struck a $2.23 billion agreement with franchisee Bass PLC of Britain to sell its 1,400-unit Holiday Inn lodging division.

Holiday Corp. said it would spin off the remainder of the company, which includes its Embassy Suites, Hampton Inns, and Homewood Suites concepts plus hotel-casino operations under the Harrah's banner in Las Vegas, Nev., and Atlantic City, N.J.

Under the terms of the agreement, Bass PLC — a brewery and hospitality conglomerate with sales approaching $6 billion last year — will issue stock worth $125 million and will assume about $2.1 billion of Holiday Corp. debt.

In return, Bass will gain control of the world's largest hotel chain, comprising 55 company-owned Holiday Inn hotels and 1,400 franchised and joint-venture properties throughout the United States, Canada, and Mexico.

For each share of Holiday Inn stock held, shareholders will receive about one-quarter of a share of Bass stock, a $35 cash dividend, and one share in Holiday Corp.'s new spin-off company.

About $245 million of the acquisition price will be used to pay back a receivable note held by Holiday Corp., stemming from Bass' purchase of 14 Holiday Inn franchise agreements in the Southeastern United States last year. Bass also holds the rights to franchise Holiday Inn hotels outside of North America and operates several Holiday Inns franchises in Canada.

The transaction, contingent on approval from shareholders and the Nevada and New Jersey gaming commissions, would be completed through the merger of a new U.S.-based subsidiary of Bass into Holiday Inns.

Total sales for all non-gaming Holiday Corp. lodging properties topped $800 million last year, while Harrah's reported revenues of $781.1 million.

FINANCIAL NEWS

Ciatti's bounces back; year-end sales up 35%

By Rajan Chaudhry

MINNEAPOLIS — Ciatti's Inc., which finished last year $885,366 in the hole, posted a dramatic turnaround in its fiscal year ended July 2, dishing up net earnings of $505,543 on a 35-percent increase in sales, to $11.2 million.

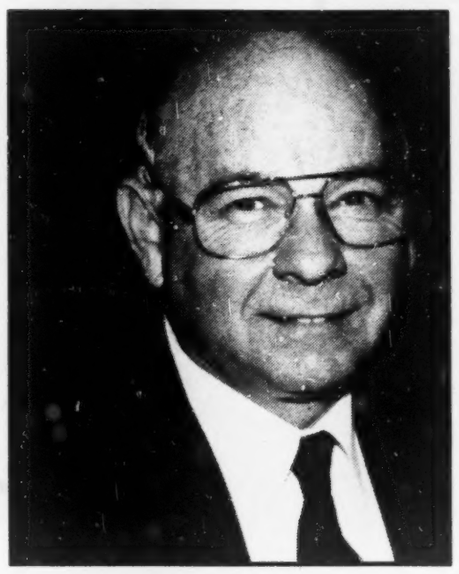
Ciatti's operates a chain of seven casual midscale Italian restaurants.

William C. Ferril, company president and chief executive, attributed the improved results to the contribution of sales and profits from three new restaurants opened during the year, increased customer awareness, a menu-price hike of about 4 percent, and tightened reins on costs.

Operating earnings from Ciatti's four mature units — in Minneapolis, St. Paul, Milwaukee, and Madison, Wis. — increased 82 percent year over year, fueled by comparable-store sales growth of almost 10 percent.

And the company's trio of new restaurants — located in the Minneapolis-St. Paul area — achieved profitability quickly, Ferril said.

According to him, Ciatti's is beginning to harvest the fruits of a marketing program begun last year with local ad agency Kolesar & Hartwell, known for its creative outdoor advertisements. In addition to advertising via billboards, Ciatti's catches the eyes and ears of consumers through four-color print ads and radio spots, he said.



William C. Ferril

Ciatti's
Minneapolis
No. of units: 7
Founded: 1981
Annual sales: $11.2 million
Average per-store sales: $2 million
President and CEO: William C. Ferril

As a result of sales increases and the 4-percent menu price hike, Ciatti's food costs dropped to 30.6 percent of sales in the latest year from 31.8 percent in the prior year, Ferril said.

And the company's labor costs, including benefits and taxes, dropped to 29.6 percent from about 31 percent of sales.

General and administrative costs also fell in the latest year, to 5.6 percent of sales, from 7.8 percent a year ago.

Restaurant operating earnings reached 11 percent of sales vs. 3.9 percent last year, and average unit volume rose to $2 million from about $1.7 million.

Last year's $885,366 loss included a $657,000 charge resulting from the closing of an unprofitable restaurant in Indianapolis.

For the latest quarter Ciatti's net earnings were $139,937 compared with a net loss of $96,657 a year ago. Sales grew 40 percent, to $3.3 million.

Ciatti's plans to open three additional restaurants this year, concentrating on its two major markets in the Twin Cities and Milwaukee, Ferril said.

Morrison's 1st quarter earnings fall flat

NEW YORK — Morrison Inc.'s stock price tumbled $2.88, to $28.38 per share, after the huge restaurant and food-service management company said its earnings would be flat in the first quarter compared with year-ago earnings.

In last year's first quarter, Morrison posted earnings from continuing operations of 35 cents a share.

Margin erosion and low customer counts were cited as reasons for the company's flat profits.

The company blamed its disappointing profits on margin erosion and low customer counts in its family-dining division.

Morrison also said it is intensifying marketing, promotion, and cost control efforts in order to meet its goals for the remainder of the fiscal year.

For the year-ago first quarter, Morrison's net income was $6.6 million — including $410,000 from discontinued operations — on sales of $185 million.

The company's operations include Morrison's Cafeterias, Morrison's Custom Management, and Morrison's specialty restaurant division, which comprises Ruby Tuesdays, L & N Seafood Grills, Sadies Buffets, and the Silver Spoons Cafes.

FOOD PRICE OUTLOOK

Green coffee prices still dropping

The price of **green coffee beans** on the New York docks continues to slide downward. It's still too early for heavy demand by customers, since late fall and winter are the main coffee-drinking months. Roasters, still working down inventories, are buying cautiously, which will probably delay across-the-board price reductions on **roasted coffees** until sometime in the fall.

Iceberg lettuce prices are going up and down like a yo-yo as Colorado and home-grown lettuce hit Midwestern and Eastern markets . . . There's a large supply of **frozen turkey** in storage. Production is up. Expect prices to continue to drop unless export demand becomes stronger . . . **Pork** prices should go down as slaughter increases this month. But the holiday season will erode stocks, and prices will — as usual — rise in November and December.

Just about all the **vegetable oil** and **edible animal fat** prices have fallen except for that of **coconut oil,** which many manufacturers are shunning. The prices paid for fats and oils will lag, however. Don't expect any major slide until midfall at the earliest.

The forecast harvest of **dry beans** should boost the dry-bean stocks. Some trouble spots have arisen from too much or too little precipitation, but most areas report good prospects. But export interest is expected to remain strong. So don't anticipate sharply lowered prices.

Tomato and tomato product canning is still holding the early lead over last year's figure. Some estimates place the amount of tomatoes canned at 40 percent higher than last year's. Prices should start to drift downward near the end of this month.

It looks as if Michigan's **red tart cherry pack** will be larger than last year's, but the U.S. Department of Agriculture and the cherry industry do not agree how much. The USDA said it would be 6 percent larger than last year's. The cherry industry said the gain would be much smaller than that.

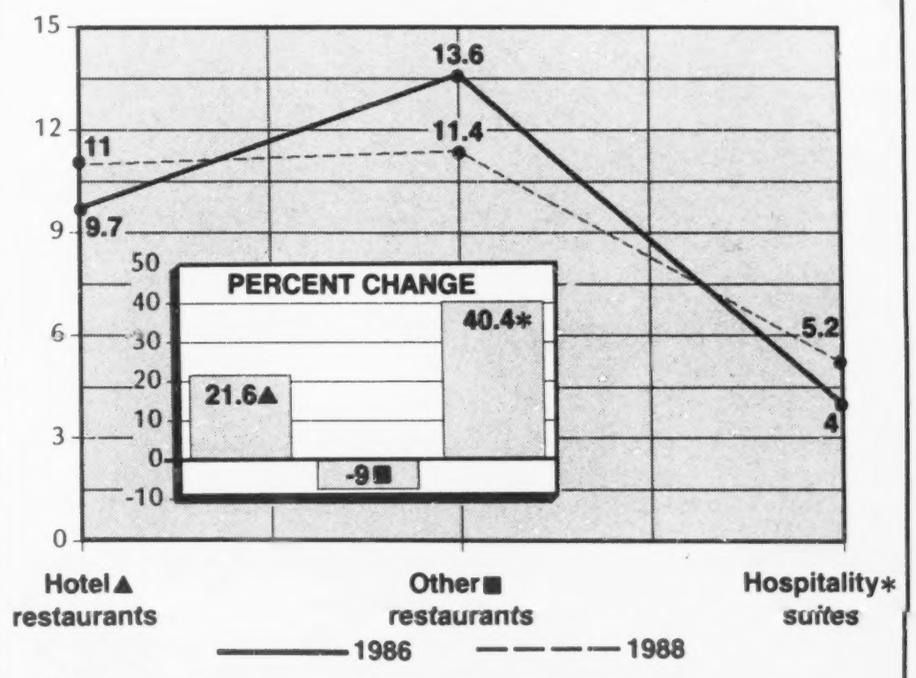
— Patt Patterson

FACT FILE

A look at the statistics shaping the industry

THE NEW CONVENTION: HOTEL RESTAURANTS, HOSPITALITY SUITES

(Percent of total expenditures by U.S. conventioneers, 1988)



Source: International Association of Convention & Visitor Bureaus

NRN FINANCIAL DIGEST

New restaurants bleed Ark

NEW YORK — Ark Restaurants Corp. said operating losses at three recently opened restaurants cut the company's third-quarter net income by 90 percent, to $40,000, on a drop in sales of less than 1 percent, to $7.3 million.

For the quarter ended July 1, the company's America restaurant in Washington, D.C., and Manhattan's An American Place and Gonzalez Gonzalez all lost money. Ark said it expects the operating losses for the three restaurants to continue through the fourth quarter.

The company also expects fourth-quarter losses at its new K Paul's New York restaurant, which it converted from an unprofitable Big Kahuna restaurant.

Ark is continuing to write off certain assets from the Big Kahuna operation and costs associated with the opening of the new K Paul's. For the three months ended in July, Ark's net income fell 62 percent, to $406,000, on a slide in sales of 3 percent, to $28.3 million.

Restaurants crimp Marcus' earnings

MILWAUKEE — The Marcus Corp. said cost and competitive pressures severely eroded sales and profits at its Big Boy and specialty restaurants and resulted in flat earnings for the year ended May 25.

The company said its net earnings for the year were $10 million, about the same as last year's, and that its revenue rose 3 percent, to $166.7 million.

Although the company experienced growth at its Kentucky Fried Chicken, theater, hotel, and motel units, it said it has closed many unprofitable restaurants and has put the related assets up for sale.

Marcus said the closings will allow it to concentrate on improving its remaining restaurants through remodelings, new menu introductions, and marketing and operational changes. For the latest fourth quarter, the company posted a 3-percent rise in net income, to $3 million, on a 1-percent rise in revenue, to $48.7 million.

Investors OK sale of Mrs. Winner's

NASHVILLE, Tenn. — Winners Corp. said its shareholders approved the sale of the company's Mrs. Winner's restaurant division to RTM Inc. for about $30 million in cash and the assumption of certain lease obligations.

RTM is an Arby's franchisee with about 200 units.

After the closing of the sale, Winners Corp. will change its name to Volunteer Capital Corp., it said. The company, which had roots in truck leasing, had been Volunteer Capital Corp. in the early 1980s before getting into the chicken business.

For its first six months, Winners lost $15.3 million on a 21-percent drop in sales, to $41.2 million.

First-half charges included a loss provision of $380,000 for the sale of 11 Mrs. Winner's units to Kentucky Fried Chicken and an $11.8 million provision for the sale of the remaining units to RTM.

FOCUS | OPINION

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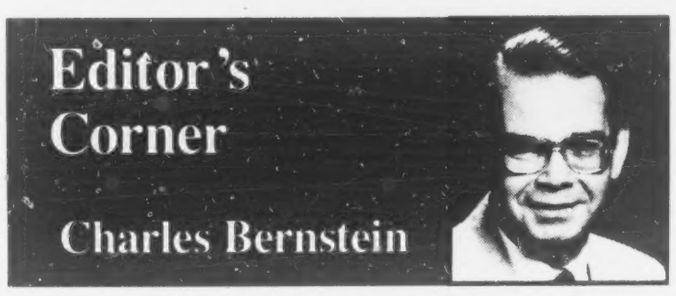
The Rosenthal era: Gigantic impact

A monumental era would end with Jerrico chairman Warren Rosenthal's pending retirement if, as seems almost certain, an investment group's $620 million tender offer to acquire Lexington, Ky.-based Jerrico and its 1,525-unit Long John Silver's seafood chain is accepted.

Rosenthal, a giant of the food-service industry, has immensely impacted the fast-food segment, franchising, and educational programs. He has repeatedly confounded the Wall Street pundits, who at various times have written off LJS.



In expressing assurances last November that "our company is positioned for sustained growth in the 1990s," Rosenthal noted "the premature proclamations by others that the fast-food market is saturated and that the cost of fish has a long-term shackle on Long John Silver's Seafood Shoppes' future success."

For more than four decades with Jerrico, Rosenthal, now 65, has exercised a dominant influence. We doubt that another top restaurant executive today can equal this kind of tenure, stability and impact — all qualities desperately needed in the turbulent industry.

Rosenthal started with Jerrico in 1948, two years after it was formed, as a young man of 24. It had just two five-cent hamburger stands and a tiny eight-stool Jerry's sandwich shop.

He worked his way up to chief executive officer in 1957 and proceeded to launch a major franchising drive for Jerry's coffee shops, which eventually peaked at 80 restaurants. It was the era of McDonald's Ray Kroc, KFC's Harland Sanders, and Burger King's James McLamore. Rosenthal, too, was one of the first food-service franchisors, with Jerry's coffee shops spurting to 77 units. He took Jerrico public in 1969, and then he started switching the focus to Long John Silver's.

Rosenthal overcame periodic downturns in the business cycle and the seafood business over the past two decades and persevered when Wall Street and others kept counting LJS out as a major factor. In the process he made many tough decisions, which he felt had to be implemented to ensure the company's future.

Rosenthal has won many top honors, including Nation's Restaurant News' initial Multi-Unit Food-Service Operator of the Year award in 1971; the International Foodservice Manufacturers Association's Golden Plate Operator of the Year award in 1975; the International Franchise Association's (IFA) Hall of Fame award in 1986; and induction into the National Institute for the Foodservice Industry's (NIFI) College of Diplomates in 1986.

Rosenthal was a founder and president of the Kentucky Restaurant Association, president of the International Franchise Association in 1971, a board member of the National Restaurant Association board for a decade starting in 1973, and president of NIFI for an unprecedented two terms, from 1982 to 1985. He also helped establish Transylvania University's School of Hotel and Restaurant Management in Lexington, Ky.

More than these honors and statistics, however, Rosenthal has been active in establishing scholarships, in helping young people and industry veterans advance their careers, and in promoting industry causes. In particular, at NIFI he greatly broadened educational opportunities for young people in the industry, launching an educational foundation that continues to provide funds for a wide range of educational services for the industry.

Just as the spirited Rosenthal kept his company independent for so many years, he vigorously opposed the NRA's efforts to merge NIFI into its own activities. But in January 1987 NIFI became the NRA's Educational Foundation. Rosenthal remained convinced that NIFI could have continued more effectively as an independent group.

Rosenthal is immensely dedicated and can be stubborn. But he always makes his feelings clear about any individual, accumulating many friends and admirers as well as some enemies in the process.

Those who admire the man swear by him. He has produced a number of talented executives for the industry, in effect creating a group of "Warren's boys." When Howard W. Berkowitz, who was president of Jerry's, left Jerrico in 1979 to become president of A & W Restaurants, he did so tearfully and always said that Rosenthal was his greatest mentor and teacher.

Other executives of Rosenthal's also made it big in the industry. Theodore Papit, who was with Rosenthal for 13 years and climbed to Jerrico operations executive vice president, was named president of Dallas-based Unigate Restaurants last year. Arthur Gunther, LJS marketing vice president in the late 1970s, became Pizza Hut president and now is one of the "celebrity" Pizzeria Uno franchisees.

Others are not as enamored of Rosenthal — most notably, James Patterson, a co-founder of Long John Silver's, who was removed as LJS president in 1974, and Ernest Renaud, who departed in 1984 after 10 years as president.

But Rosenthal has stuck to his guns and produced results at LJS. Through the years companies have eyed Jerrico, one of the few remaining "independent" food-service chains, as an acquisition candidate. In late 1984 Pillsbury, General Mills, and PepsiCo all were said to be interested but did not want to pay the price asked.

When the current tender offer goes through, John E. Tobe, who succeeded Renaud as president and chief executive five years ago, will be in full charge. Rosenthal has been gradually loosening the reins and letting Tobe run things more.

To his lasting credit, Rosenthal was able to overcome the devastating effects of losing his three top executives, including executive vice president Richard Schoff, in a fatal 1972 private-plane crash. He brought in Renaud from Sky Chefs, then Berkowitz and others to mold a winning team.

Sensing the health and nutritional trends, Rosenthal has moved LJS in the past few years into a variety of broiled seafood items — a tactic that brought criticism from Wall Street because of the high costs involved. He has also overcome cod supply shortages and has diversified LJS' offerings without overtaxing the system. He takes particular pride in LJS' recent introduction of "a new quality whitefish that will cost less per pound than hamburger."

While virtually all the fast-food fish chain competition except Captain D's has faltered, Rosenthal has fashioned the only national seafood chain other than the Red Lobster dinner houses and is chalking up $800 million annual sales, compared with $400 million for Captain D's, although the latter holds a $660,000-to-$540,000 lead in average per-unit volume.

Still, Rosenthal may have the last laugh on his critics.

Like some of his contemporaries, he dabbled with specialty theme restaurants and dinner houses in the early 1970s but was smart enough to drop them to concentrate on LJS. In the last few years he has launched seven Florenz Italian dinner houses and a Fazoli's Italian fast-food experiment.

Rosenthal likely will spend some of his time on these favorite concepts of his as well as some time in the horse country in his native Kentucky that he loves so much. We wish him happiness and know that he will remain active in the industry to which he has given so much.

LETTERS

Clearing the smoke on restaurant fires

Editor, NRN:

Stephen Estrin's Aug. 7 viewpoint on restaurant fires was long overdue. As special markets manager for Ansul Fire Protection, I am well aware of the problem. However, a couple of misconceptions should be noted.

The National Fire Protection Association and Fire Equipment Manufacturers do not recommend using ABC-type extinguishers on deep-fat fires. Only BC-rated dry chemical or BC-rated wet agent is recommended.

Also, dampers in ducts are not recommended for dry-chemical and wet-chemical hood systems. Getting the smoke, heat, and flammable gases out of the kitchen is the reason for not wanting dampers in hood systems.

Finally, employees not trained in the use of hand portables should be trained to activate the fire suppression system first in the event of a fire, rather than attacking a grease fire with a high-pressure hand portable. The results of spreading burning grease can be expensive and dangerous.

— A.W. Neumann
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